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Annual Report
**Satellite Metal Mines
Limited**



*For the Year Ended
December 31st, 1965*

AUTHORIZED
CAPITALIZATION

\$5,000,000 divided into 5,000,000 shares
of the par value of \$1.00 each

DIRECTORS

D. W. GORDON	-	-	-	-	-	-	-	-	TORONTO, ONTARIO
W. C. DURHAM	-	-	-	-	-	-	-	-	TORONTO, ONTARIO
GORDON L. MOORE	-	-	-	-	-	-	-	-	ISLINGTON, ONTARIO
PHILIP E. BOYLEN	-	-	-	-	-	-	-	-	TORONTO 18, ONTARIO
CHARLES B. BRANNIGAN	-	-	-	-	-	-	-	-	TORONTO, ONTARIO
A. THOMSON	-	-	-	-	-	-	-	-	TORONTO, ONTARIO
F. B. GEE	-	-	-	-	-	-	-	-	WILLOWDALE, ONTARIO

OFFICERS

D. W. GORDON	-	-	-	-	-	-	-	-	-	PRESIDENT
W. C. DURHAM	-	-	-	-	-	-	-	-	-	VICE-PRESIDENT
GORDON L. MOORE	-	-	-	-	-	-	-	-	-	SECRETARY-TREASURER
CHARLES B. BRANNIGAN	-	-	-	-	-	-	-	-	-	ASSISTANT-TREASURER

TRANSFER AGENT
AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario and Montreal, Quebec

AUDITORS

SNYDER, CRAIG & Co.
Chartered Accountants
330 Bay Street
Toronto, Ontario

HEAD OFFICE

Suite 908 - 330 Bay Street
Toronto, Ontario

SATELLITE METAL MINES LIMITED

Satellite Metal Mines Limited

Directors' Report

To the Shareholders:

The Financial Statements of the Company for the fiscal year ended December 31st, 1965 and the Report of the Auditors are submitted for your consideration.

The changes reflected in the items on the Balance Sheet, in comparison with that of the previous year, were in large part brought about by the abandonment of the Company's unpatented mining claims in the Bad Vermillion Lake area of Ontario.

During July, 1963 the Company acquired one patented and 36 unpatented mining claims in the Bad Vermillion Lake area of Ontario, and carried out an exploration and diamond drilling program thereon at a cost of \$19,977.22. The results of the exploratory work were inconclusive and the 36 unpatented claims were abandoned during 1965. The patented claim is retained in good standing and is now carried on the Company's books of account at the nominal value of One Dollar. The amount of \$28,197.50, as representing the cost of the unpatented claims, and the cost of the exploratory work carried out thereon amounting to \$19,977.22, were written off and charged to the Company's Deficit account.

NEW BRUNSWICK MINING LICENSE

The Company is continuing its exploratory work on the area covered by its Mining License located in the Parish of Northesk in the County of Northumberland, New Brunswick, adjoining the property of Heath Steele Mines Ltd.

The current diamond drilling program is employing two machines that are systematically testing a large continuous sulphide zone that continues off the Heath Steele Mines Ltd. property on to your Company's property. Heath Steele is also doing the same type of work on its side of the boundary line. The Company's method is to drill parallel sections at 400-foot intervals with holes intersecting the sulphides at vertical depths of approximately 200', 350' and 500' respectively. In the shallow holes and particularly towards the north or Heath Steele end of the zone, the intersections showed strong concentrations of sulphides in sheared porphyry adjacent to its contact with a chloritized andesite; values in copper and zinc were present but not of ore grade calibre.

The New Brunswick camp considers such conditions to be most favourable in that virtually all the large bodies outlined to date have the same surroundings and barren sulphide bodies can suddenly become ore-bearing (with zinc and copper sulphides) either on strike or at depth. The second drill, for this reason, was recently added to the Satellite program as it was apparent that very detailed probing would be required to explore the full potential of the zone.

Directors' Report continued

GENERAL

The Company retains in good standing its mining property situate at Montauban les Mines in the Province of Quebec, comprising an area of approximately 757 acres.

During 1952-1953 a crushing plant and concentrator having a capacity of 500 tons of ore per day were constructed on this property; and, upon completion, a total of 100,309 tons of ore was milled. A shaft has been sunk to a depth of 539.9 feet with stations established at horizons of 150, 185, 240 and 416 feet. No recent estimate has been made of ore reserves; however, in 1954 a total of 799,097 tons of zinc-lead-silver-gold ore was determined by surface diamond drilling, less the ore milled during 1953. A large portion of this property remains to be investigated. Production was discontinued on January 31st, 1954, due to an inadequate water supply and the then depressed metal prices.

The surface buildings in large part have been maintained in repair and, with minor repairs and some new equipment, could be made operational on reasonably short notice. Your Directors, in view of current metal prices, are reviewing the feasibility of re-opening this mine for production.

Subsequent to the date of the Balance Sheet, the Company exercised its rights as offered to the Shareholders of Key Anacon Mines Limited and purchased an additional 85 shares of the capital stock of that Company for \$212.50, being on the basis of one share of Key Anacon Mines Limited at the price of \$2.50 per share for every 14 shares held; and, sold 600,000 shares of its capital stock for the sum of \$160,000.00 for the purpose of providing additional working capital to continue its exploration program.

Respectfully submitted on behalf of the Board of Directors,

D. W. GORDON,
President.

DATED at Toronto, Ontario
this 16th day of March, 1966.

SNYDER, CRAIG & CO.

CHARTERED ACCOUNTANTS

CABLE ADDRESS "JNOCRAIG"
TELEPHONE EMPIRE 6-9444

330 BAY STREET

TORONTO
CANADA

To the Shareholders of

SATELLITE METAL MINES LIMITED,
Toronto, Ontario.

We have examined the Balance Sheet of Satellite Metal Mines Limited as at December 31st, 1965, the Statement of Mine Development, Mine Overhead and Administrative Expenses for the year ended on that date and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

No physical count of materials and supplies has been made since 1962, but a full-time watchman is maintained on the company's mining property near Montauban les Mines, Quebec. We have made no independent verification of this asset shown on the Balance Sheet at a cost of \$18,673.51. We are unable to express an opinion on the value of the buildings and equipment shown on the Balance Sheet at cost. No provision for depreciation or obsolescence has been made in the accounts for these assets which were acquired during the years 1951, 1952 and 1953.

Subject to the above limitations, in our opinion, the attached Balance Sheet, Statement of Mine Development, Mine Overhead and Administrative Expenses, and Notes to the Financial Statements present fairly the financial position of the company as at December 31st, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Snyder Craig & Co.

Chartered Accountants.

February 3rd, 1966.

Satellite Meta

(Incorporated under the laws of the Province of Ontario)

Balance Sheet

ASSETS

Current	\$	\$	\$
Cash		77.15	
Prepaid expense		1,326.50	1,403.65
Investments			
Shares of other mining companies having a quoted market value, at cost (Notes 1 and 2) (Quoted market value \$20,066.84)		64,677.28	
Shares of other mining companies, at cost		7,977.95	72,655.23
Fixed			
In the Province of Quebec, at cost:			
18 Mining claims and 1 mining concession in the Townships of Montauban and Chavigny		671,606.00	
Land, buildings and equipment		424,749.23	
In the Province of New Brunswick, at cost:			
1 Mining license in the Parish of Northesk, County of Northumberland		21,370.84	
In the Province of Ontario, at nominal value:			
1 Patented mining claim in the Bad Vermillion Lake area, Fort Frances Mining Division		1.00	1,117,727.07
Miscellaneous and Deferred			
Material and supplies on hand, at cost		18,673.51	
Mine development, mine overhead and administrative expenses			
Balance, January 1st, 1965	1,304,559.89		
Add: Expenses for the year	14,982.67		
		1,319,542.56	
Deduct: Expenses on claims abandoned transferred to Deficit	19,977.22		
Balance, December 31st, 1965		1,299,565.34	1,318,238.85
			<u>2,510,024.80</u>

Approved on behalf of the Board.

D. W. GORDON, Director.

G. L. MOORE, Director.

Mines Limited

(Laws of Ontario)

December 31st, 1965

LIABILITIES

Current

Accounts payable and accrued liabilities	\$	\$
		14,004.12

SHAREHOLDERS' EQUITY

Capital Stock

Authorized:

5,000,000 Shares of \$1.00 par value	5,000,000.00
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Issued:

	\$	
3,102,511 Shares	3,102,511.00	
Less: Discount thereon	1,500,000.00	1,602,511.00

Underwriting agreement (Note 3)

Contributed Surplus

Surplus arising on reorganization	1,434,029.00
	<u>3,036,540.00</u>

Deficit

Balance, January 1st, 1965	492,344.60	
Add: Mining claims abandoned	28,197.50	
Development expenses on mining claims abandoned	19,977.22	
Balance, December 31st, 1965	<u>540,519.32</u>	2,496,020.68

The Notes Attached Form An Integral Part of These Financial Statements.

2,510,024.80

Submitted with our Report to the Shareholders dated February 3rd, 1966.

SNYDER, CRAIG & CO.

Chartered Accountants.

Satellite Metal Mines Limited

STATEMENT OF MINE DEVELOPMENT, MINE OVERHEAD AND ADMINISTRATIVE EXPENSES

For the year ended December 31st, 1965

Mine Development Expenses	\$	\$
Geophysical survey	489.00	
Surface exploration	2,499.84	2,988.84
Mine Overhead Expenses		
Fire protection, watchman and other shutdown expenses	3,717.42	
Mining licenses	350.96	
Property taxes	4,858.22	
	8,926.60	
Less: Refund of deposit in lieu of work in preceding year	1,009.38	7,917.22
Administrative Expenses		
Audit fees	300.00	
Corporation taxes	86.33	
Filing fees	35.00	
General expense	13.72	
Head office administration	1,650.00	
Listing and sustaining fees	200.00	
Office stationery and supplies	471.65	
Postage, telephone and telegraph	191.50	
Reports to shareholders	285.83	
Transfer agent and registrar fees	842.58	4,076.61
Total		<u>14,982.67</u>

Notes to Financial Statements

December 31st, 1965

1. Included in the investments are 300,000 shares of Beauce Placer Mining Company Limited costing \$60,000.00 (quoted market value \$16,500.00) which may not be sold without the prior consent of the Quebec Securities Commission.

The following transactions occurred subsequent to the date of the Balance Sheet:

2. 85 shares of Key Anacon Mines Limited were acquired for \$212.50 pursuant to an offering of rights to shareholders of that company.
3. Under an agreement dated December 30th, 1965, Houston & Company Limited, on behalf of a client, purchased 400,000 shares of the Company's capital stock at 25¢ per share and 200,000 shares at 30¢ per share.